

Message Text

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15

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 SAJ-01 AGR-20

EA-11 INT-08 SCI-06 FEA-02 DRC-01 /217 W

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P R 220930Z JAN 74

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC PRIORITY 1300

INFO AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY OSLO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652 N/A

TAGS: EFIN SW FR

SUBJECT: EARLY SWEDISH COMMENTS ON FRANC FLOAT

1. FOLLOWING FLOATING OF FRENCH FRANC, FOREIGN EXCHANGE MARKETS IN SWEDEN, NORWAY, DENMARK, AND FINLAND WERE CLOSED JANUARY 21 FOR ALL BUT MOST URGENT TRANSACTIONS. EXTREMELY LIMITED TRADING IN MORNING IN STOCKHOLM SHOWED DOLLAR STRONGER, REACHING VALUES OF SKR 4.90-4.92, DM 2.86, AND FR FR. 5.20-5.30. FRANC RATE HERE MONDY MORNING WAS EQUIVALENT OF FOUR PERCENT DEVALUATION OF FRANC.

2. KRISTER WICKMAN, RIKSBANK GOVERNOR, SAID IN INTERVIEW IN SVENSKA DAGBLADET JANUARY 21 THAT "FRENCH DECISION TO ALLOW FRANC TO FLOAT FREELY AMOUNTS TO A DE FACTO LIMITED OFFICIAL USE

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DEVALUATION AND THIS IS IN SHARP CONTRAST TO ALL THE TALK

ABOUT NOT PUSHING DIFFICULTIES OVER TO OTHER COUNTRIES."
THERE IS GENERAL CONCERN HERE THAT OTHER COUNTRIES WILL FOLLOW
JAPANESE AND FRENCH EXAMPLES AND SET OFF COMPETITIVE
DEPRECIATION OF CURRENCIES AS RESPONSE TO OIL PRICE INCREASES.

3. BIG ISSUE IN MINDS OF MOST STOCKHOLM BANKERS YESTERDAY WAS
WHETHER OR NOT EC SNAKE WOULD CONTINUE. HANS LUNDSTRON, DEPUTY
GOVERNOR OF RIKSBANK, WAS QUOTED BY SVENSKA DAGBLADET JANUARY 22
AS SAYING: "WE ARE BIDDING OUR TIME TO SEE WHAT THE DEVELOPMENTS
WILL BE. THERE IS NO PANIC HERE. I PERSONALLY BELIEVE THAT
EC COOPERATION IN THE FOREIGN-EXCHANGE FIELD WILL CONTINUE
EVEN WITHOUT FRANCE. BUT THE FRENCH JUMP-OFF, OF COURSE,
IMPLIES A SERIOUS BREAK IN THE EC'S PLANS TO ACHIEVE MONETARY
UNION . . . IF ALL EC CURRENCIES FLOAT, THEN WE'LL FLOAT
TOO." RIKSBANK COMMISSIONER KURT RODEBACK EXPRESSED PERSONAL
HOPE TO EMBOFF THAT SNAKE WOULD LAST, NOTING THAT SWEDEN'S
EXPERIENCE IN IT HAS BEEN GOOD. SCANDINAVISKA ENSKILDA BANKER,
WHO HIMSELF THOUGHT FREELY FLOATING RATES COULD PERHAPS BE
MAINTAINED WITHOUT DISRUPTING EFFECT, REMARKED THAT RIKSBANK
HAS ALWAYS FAVORED SOME KIND OF FIXED PARITY AND UNDOUBTEDLY
CONTINUES TO HOLD THIS ATTITUDE.

4. SWEDEN WAS NOT REPRESENTED AT DELIBERATIONS OF EC SNAKE
FINANCIAL MINISTERS IN BRUSSELS JANUARY 21.
SJONANDER, UNDERSECRETARY OF FINANCE, WAS QUOTED IN PRESS
AS STATING THAT MEETING OF EC SNAKE MINISTERS "WAS STRICTLY EC
MATTER". STOCKHOLM MORNING PAPERS JANUARY 22 REPORTED THAT RIKS-
BANK BOARD WILL HOLD EXTRAORDINARY MEETING OF ITS OWN TODAY
TO CONSIDER CURRENCY SITUATION.
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